



UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

CR No. 8:22-cr-00085-DSF

Plaintiff,

I N F O R M A T I O N

v.

[18 U.S.C. § 1349: Conspiracy to Commit Wire Fraud Affecting a Financial Institution; 18 U.S.C. § 1028A(a)(1): Aggravated Identity Theft; 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c): Criminal Forfeiture]

JEFFREY SCOTT HEDGES,

Defendant.

The United States Attorney charges:

COUNT ONE

[18 U.S.C. §§ 1349, 2(b)]

A. INTRODUCTORY ALLEGATIONS

At times relevant to this Information:

Defendant and the Relevant Entities

1. Defendant JEFFREY SCOTT HEDGES was a resident of Irvine, California.

2. Defendant HEDGES controlled the following bank accounts:

a. A bank account in his own name, doing business as "WCC Pro Touring," held at Wells Fargo Bank, N.A. ending in 7633 (the "Wells Fargo 7633 account");

1 b. A bank account in the name of A.H., held at Citibank
2 N.A. ending in 2981 (the "A.H. Citibank 2981 account");

3 3. Defendant HEDGES also claimed to be the sole proprietor of
4 the following California companies: West Coast Chassis, West Coast
5 Speed and Custom, WCC Pro Touring, Von Schoff Customs, Von Schoff
6 Apparel, Scotts Motorsports, and S and A Designs.

7 4. Loan Consultant 1 was an individual who worked at Company
8 1, a company based in New York that specialized in assisting small
9 businesses with obtaining loans. Company 1 was also associated with
10 Company 3, which used the initials M.C. and also assisted businesses
11 in obtaining loans and other financing.

12 The Paycheck Protection Program

13 5. The Coronavirus Aid, Relief, and Economic Security
14 ("CARES") Act was a federal law enacted in or about March 2020 that
15 was designed to provide emergency financial assistance to Americans
16 suffering economic harm as a result of the COVID-19 pandemic. One
17 form of assistance provided by the CARES Act was the authorization of
18 United States taxpayer funds in forgivable loans to small businesses
19 for job retention and certain other expenses, through a program
20 referred to as the Paycheck Protection Program ("PPP").

21 6. In order to obtain a PPP loan, a qualifying business was
22 required to submit a PPP loan application signed by an authorized
23 representative of the business. The PPP loan application required
24 the small business (through its authorized representative) to
25 acknowledge the program rules and make certain affirmative
26 certifications in order to be eligible to obtain the PPP loan. One
27 such certification required the applicant to affirm that "[t]he [PPP
28 loan] funds w[ould] be used to retain workers and maintain payroll or

make mortgage interest payments, lease payments, and utility payments." The applicant (through its authorized representative) was also required to acknowledge that "I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges." In the PPP loan application, the applicant was required to state, among other things, its: (a) average monthly payroll expenses; and (b) number of employees. These figures were used to calculate the amount of money the small business was eligible to receive under the PPP. In addition, the applicant was required to provide documentation showing its payroll expenses.

11 7. A business's PPP loan application was received and
12 processed, in the first instance, by a participating financial
13 institution. If a PPP loan application was approved, the
14 participating financial institution would fund the PPP loan using its
15 own monies.

16 8. PPP loan proceeds were required to be used by the business
17 on certain permissible expenses, namely, payroll costs, interest on
18 mortgages, rent, and utilities. The PPP allowed the interest and
19 principal on the PPP loan to be entirely forgiven if the business
20 spent the loan proceeds on these expenses within a designated period
21 of time and used at least a minimum amount of the PPP loan proceeds
22 towards payroll expenses.

The Economic Injury Disaster Loan Program

24 9. The Economic Injury Disaster Loan Program ("EIDL") was a
25 United States Small Business Administration ("SBA") program that
26 provided low-interest financing to small businesses, renters, and
27 homeowners in regions affected by declared disasters.

1 10. The CARES Act authorized the SBA to provide EIDL loans of
2 up to \$2 million to eligible small businesses experiencing
3 substantial financial disruption due to the COVID-19 pandemic.

4 11. To obtain an EIDL loan, a qualifying business was required
5 to submit an application to the SBA and provide information about the
6 business's operations, such as the number of employees, gross
7 revenues for the 12-month period preceding the disaster, and cost of
8 goods sold in the 12-month period preceding the disaster. In the
9 case of EIDL loans for COVID-19 relief, the 12-month period was the
10 12-month period from January 31, 2019, to January 31, 2020. The
11 applicant was also required to certify that all of the information in
12 the application was true and correct to the best of the applicant's
13 knowledge.

14 12. EIDL loan applications were submitted directly to the SBA
15 and processed by the agency with support from a government
16 contractor. The amount of the loan, if the application was approved,
17 was determined based, in part, on the information provided by the
18 applicant about employment, revenue, and cost of goods sold, as
19 described in paragraph 11 above. Any funds issued under an EIDL loan
20 were issued directly by the SBA.

21 13. EIDL loan funds could be used for payroll expenses, sick
22 leave, production costs, and business obligations, such as debts,
23 rent, and mortgage payments. If the applicant also obtained a loan
24 under the PPP, the EIDL loan funds could not be used for the same
25 purpose as the PPP loan funds.

26 Relevant Lending Institutions

27 14. Company 2 was a financial technology company based in
28 California. Company 2 participated in the PPP by, among other

1 things, acting as a service provider between small businesses and
2 certain lenders. Small businesses seeking PPP loans could apply
3 through Company 2 for PPP loans. Company 2 would review the loan
4 applications. If a loan application received by Company 2 was
5 approved for funding, a partner lender, including Bank A, disbursed
6 the loan funds to the applicant. Bank A was a federally insured
7 financial institution based in New Jersey. Bank A was an SBA
8 Preferred Lender and participated as a PPP lender to small
9 businesses.

10 B. THE OBJECT OF THE CONSPIRACY

11 15. Beginning no later than in or around June 2020 and
12 continuing until at least in or around February 2021, in Orange
13 County and Los Angeles County, within the Central District of
14 California, and elsewhere, defendant HEDGES conspired with Loan
15 Consultant 1, and with others known and unknown to the United States
16 Attorney, to commit wire fraud affecting a financial institution, in
17 violation of Title 18, United States Code, Section 1343.

18 C. THE MANNER AND MEANS OF THE CONSPIRACY

19 16. The object of the conspiracy was to be carried out, and was
20 carried out, in substance, as follows:

21 a. Defendant HEDGES and Loan Consultant 1, together with
22 other coconspirators, would make, and cause to be made, false
23 statements to the SBA and financial institutions, including Company 1
24 and Company 2, in connection with the fraudulent applications for PPP
25 and EIDL loans for defendant HEDGES's companies, including false
26 representations regarding the number of employees to whom the
27 companies had paid wages and false certifications that the loans
28 would be used for permissible business purposes.

1 b. Defendant HEDGES and Loan Consultant 1, together with
2 other coconspirators, would electronically submit, and cause to be
3 submitted, false and fictitious documents to the SBA and financial
4 institutions, including Company 1 and Company 2, in support of the
5 fraudulent PPP and EIDL loan applications, including false or
6 fictitious tax documents, payroll records, and bank records.

7 c. Defendant HEDGES and Loan Consultant 1 used, and
8 caused to be used, the personal identifying information of other
9 individuals, who were neither defendant HEDGES nor Loan Consultant 1,
10 to submit fraudulent applications for PPP and EIDL loans.

11 d. Defendant HEDGES and Loan Consultant 1 used, and
12 caused to be used, email addresses, which they created and
13 controlled, corresponding to the name of the individual
14 representative or business applicant on the PPP and EIDL loan
15 applications in order to make it appear as if the loan applications
16 were legitimate and the purported individual representatives were, in
17 fact, the individuals submitting the loan applications. This
18 included applications submitted in the names of A.H. and C.H.

19 e. Defendant HEDGES and Loan Consultant 1 would direct
20 that PPP and EIDL loan proceeds be deposited into bank accounts that
21 defendant HEDGES controlled, including the Wells Fargo 7633 account
22 and the A.H. Citibank 2981 account.

23 f. Defendant HEDGES and Loan Consultant 1 would use the
24 fraudulently obtained PPP and EIDL loan proceeds for their own
25 personal benefit and for the benefit of their coconspirators,
26 including for expenses prohibited under the requirements of the PPP
27 and EIDL programs, such as to purchase luxury jewelry and luxury
28 cars.

1 17. From in or about June 2020 and continuing until at least in
2 or about February 2021, as a result of this scheme, defendant HEDGES
3 submitted and caused to be submitted fraudulent PPP and EIDL loan
4 applications seeking approximately \$5,288,476, and actually received
5 approximately \$2,087,701 in PPP and EIDL proceeds to which he was not
6 entitled.

7 D. OVERT ACTS

8 18. On or about the following dates, in furtherance of the
9 conspiracy and to accomplish its object, defendant HEDGES, together
10 with Loan Consultant 1, committed the following overt acts, within
11 the Central District of California:

12 Overt Act No. 1: On or about June 29, 2020, defendant HEDGES
13 electronically signed and submitted to Company 1 and Loan Consultant
14 1 a "working capital application" and provided Loan Consultant 1 with
15 the names and details of various businesses for use in PPP loan
16 applications.

17 Overt Act No. 2: On or about June 30, 2020, defendant HEDGES
18 submitted or caused Loan Consultant 1 to submit a PPP loan
19 application in the name of A.H., using A.H.'s personal information,
20 to Company 2 (the "A.H. PPP application") seeking a PPP loan in the
21 amount of \$478,541, which application: (a) falsely represented that
22 A.H. had 30 employees; and (b) falsely referenced employees for whom
23 it had paid wages and payroll taxes with average monthly payroll
24 expenses of \$191,416.70.

25 Overt Act No. 3: On or about June 30, 2020, Loan Consultant 1
26 sent defendant HEDGES an email with the subject line, "Wire
27 Instructions for [Company 1]" and instructed defendant HEDGES to wire
28 10% of the loan amount, or \$47,854.10, to a specified bank account in

1 New York, with the request that defendant HEDGES "complete after you
2 receive funds to satisfy account."

3 Overt Act No. 4: On or about July 2, 2020, after Bank A
4 transferred, via interstate wire, \$478,571 into the A.H. Citibank
5 2981 account in response to the fraudulent submission of the A.H. PPP
6 application, defendant HEDGES caused a domestic wire transfer of
7 \$350,000 to be made from the A.H. Citibank 2981 account to the Wells
8 Fargo 7633 account, for which defendant HEDGES was the signatory.

9 Overt Act No. 5: On or about July 3, 2020, as payment for Loan
10 Consultant 1's assistance in the submission of the fraudulent loan
11 application referenced in Overt Act No. 2, defendant HEDGES caused an
12 interstate wire transfer of \$47,854.10 to be sent to an account held
13 in the name of M.C., which owns or controls Company 1, Loan
14 Consultant 1's employer.

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1 COUNT TWO

2 [18 U.S.C. §§ 1028A(a)(1), 2(b)]

3 19. The United States Attorney realleges paragraphs 1-8 and 14
4 and 16-18 here.

5 20. Beginning no later than in or around June 2020 and
6 continuing until at least in or around February 2021, in Los Angeles
7 County and Orange County, within the Central District of California,
8 and elsewhere, defendant HEDGES knowingly transferred, possessed, and
9 used, and willfully caused to be transferred, possessed, and used,
10 without lawful authority, a means of identification that defendant
11 HEDGES knew belonged to another person, namely, the name of A.H.
12 during and in relation to the offense of Conspiracy to Commit Wire
13 Fraud, a felony violation of Title 18, United States Code, Section
14 1349, as charged in Count One of this Information.

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1 FORFEITURE ALLEGATIONS

2 [18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c)]

3 1. Pursuant to Rule 32.2 of the Federal Rules of Criminal
4 Procedure, notice is hereby given that the United States of America
5 will seek forfeiture as part of any sentence, pursuant to Title 18,
6 United States Code, Section 981(a)(1)(C) and Title 28, United States
7 Code, Section 2461(c), in the event of defendant's conviction of the
8 offenses set forth in any of Counts One through Two of this
9 Information.

10 2. The defendant, if so convicted, shall forfeit to the United
11 States of America the following:

12 (a) All right, title, and interest in any and all
13 property, real or personal, constituting, or derived from, any
14 proceeds traceable to the offenses, including, but not limited to:

15 i. Approximately \$14,184.29 seized from a Citibank
16 N.A. account ending in 4686 on or about November 4, 2020;

17 ii. One 2013 Ferrari bearing California Vehicle
18 Identification Number ("VIN") ZFF65TJA6D0190673, seized on or about
19 November 4, 2020;

20 iii. One 2015 Ferrari F12 Berlinetta bearing
21 California VIN ZFF74UFA1F0209946, seized on or about November 10,
22 2020; and

23 iv. One 2015 Ferrari bearing California VIN
24 ZFF77XJA0F0210991, seized on or about November 4, 2020 (collectively,
25 the "Forfeitable Property"); and

26 (b) To the extent such property is not available for
27 forfeiture, a sum of money equal to the total value of the property
28 described in subparagraph (a).

1 3. Pursuant to Title 21, United States Code, Section 853(p),
2 as incorporated by Title 28, United States Code, Section 2461(c), the
3 defendant, if so convicted, shall forfeit substitute property, up to
4 the value of the property described in the preceding paragraph if, as
5 the result of any act or omission of the defendant, the property
6 described in the preceding paragraph or any portion thereof (a)
7 cannot be located upon the exercise of due diligence; (b) has been
8 transferred, sold to, or deposited with a third party; (c) has been
9 placed beyond the jurisdiction of the court; (d) has been
10 substantially diminished in value; or (e) has been commingled with
11 other property that cannot be divided without difficulty.

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